

**Management Response to the Auditor General's Review of
Property Tax Appeals and Refund Processing**

<u>Rec No</u>	<u>Recommendation</u>	<u>Management Comments: Agree/Disagree</u> <i>(Comments if Disagree/ Additional Comments, if any.)</i>	<u>Action Plan/ Time Frame</u>
1.	<p>The Director of Revenue Services take steps to:</p> <p>(a) assess the tax system's ability to accommodate changes to tax adjustment processing on non-residential accounts; and</p> <p>(b) ensure the tax system is programmed to adjust penalty and interest charges on overdue tax balances resulting from appeal adjustments as part of the planned re-development of the Tax Management and Collection System.</p>	<p>Agree. As part of the normal maintenance and good business practices for any computer software system, a major review and assessment of the tax system's ability and functionality was planned to begin in 2007 and has been identified in the Division's work plans and capital projects – with an assessment planned in 2007 and any upgrades/system changes planned to begin in 2008. The Director of Revenue Services will work with Corporate I&T to implement the recommendation as part of the planned review and re-development of the tax system.</p>	<p>Planned review & assessment of tax system (2007- 2008).</p> <p>System upgrades / programming, including automation of penalty & interest adjustments (2008 to 2009/10 depending on results of the system assessment.)</p>

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2.	The Director of Revenue Services assess the feasibility and cost of developing an automated tax calculation summary as part of the 2008–2009 Capital Program to review the Tax Management and Collection System.	Agree. Staff developed and currently use an automated tax calculation summary using Excel software (i.e. outside of the tax system) to verify complex tax appeal calculations for non-residential properties. The purpose of this summary is to independently verify appeal adjustment calculations generated by TMACS given the complexity of the legislation governing the calculation of non-residential tax accounts and the significant financial impact of the calculations. A tax calculation summary generated by TMACS may improve operational efficiency by reducing reliance on manual input of data onto an excel spreadsheet, however it will not verify or ensure the accuracy of the system-generated calculations (all it will do is capture figures and calculations identified in TMACS – it will not “verify” the calculations or ensure the accuracy of adjustments/calculations). Given the financial impact associated with these non-residential tax accounts, coupled with the complexity of assessment and taxation legislation, it is important that staff continue to independently verify the accuracy of the figures and the methodology/calculations. Staff intend to work with Corporate I&T to assess the feasibility and cost-benefit of developing an automated tax calculation statement and/or summary as part of the capital project to update TMACS, but its main purpose would be to improve efficiency not to verify accuracy and methodology. A system generated detailed tax calculation statement or summary is not expected to significantly impact or improve the timeliness of appeal processing on non-residential properties.	A feasibility and cost review/ analysis will be undertaken in the first quarter of 2008. If the cost benefit analysis proves that it is appropriate to implement an automated tax calculation statement / summary, the programming will be undertaken as part of the planned re-development of TMACS.

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3.	The Director of Revenue Services develop and implement appropriate performance measures for the Appeals Unit that assist in determining the effectiveness and efficiency of the assessment and tax appeal process.	Agree. To complement the performance measures currently in place, the Director, Revenue Services will introduce measures to monitor: i) the number and percentage of residential and non-residential refunds processed over 120 days; and, ii) the average number of days required to process residential and non-residential appeals from: a) the date a decision is received to the date the refund is issued for Minutes of Settlement; b) the date an ARB Decision is received to the date the refund is issued for ARB Decisions; and, c) from the date the tax reduction is processed to the date the refund is issued for tax appeals under the City of Toronto Act.	The Revenue Services Division intends to introduce these measures by the first quarter of 2008.
4.	The Director of Revenue Services take steps to: (a) ensure staff review amounts included in the Tax Repayment Account and make the necessary adjustments to ensure appropriate amounts are included in the account; and (b) establish policies and procedures for the administration, management and disposition of taxpayer credit balances included in the Tax Repayment Account.	Agree. a) Staff have periodically reviewed amounts in the Tax Repayment account. On a go-forward basis, staff will annually review and validate all credits transferred to and from the tax repayment account against credits removed from or reapplied to the tax account within year. b) Policies and procedures for the administration, management and disposition of taxpayer credit balances in the Tax Repayment Account were under development in 2006. These policies have been approved by the Treasurer and were implemented in February 2007.	Completed. Approved policies were implemented in the 1 st quarter of 2007.

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5.	The Director of Revenue Services ensure tax credit balances and tax refund policies, processes and related internal controls are periodically reassessed to determine continued relevance and effectiveness.	Agree. The Division undertook a major review and assessment of its tax credit balances, policies, processes and related internally controls in 2004 and 2005. This review process will be formally incorporated into the on-going operation of the Tax Refund unit. Management will reassess its tax credit balances and tax refund policies (including dollar value threshold limits), legislative requirements, processes and controls on a bi-annual basis (or more frequently if the legislation governing the processing of appeals and associated refunds changes) to determine continued relevance and to identify possible enhancements/changes as warranted.	In the 1 st half of 2007, staff are undertaking a re-assessment of its tax credit balances and tax refund policies (including dollar value threshold limits), in light of legislative requirements introduced in the City of Toronto Act.
6.	The Director of Revenue Services develop and implement appropriate performance measures to assist in evaluating the efficiency and effectiveness of processing in the Refund Unit.	Agree. To complement the performance measures currently in place, the Director, Revenue Services will introduce measures to monitor: i) the number and percentage of residential and non-residential refunds processed over 120 days; and, ii) the average number of days required to process residential and non-residential appeals from: a) the date a decision is received to the date the refund is issued for Minutes of Settlement; b) the date an ARB Decision is received to the date the refund is issued for ARB Decisions; and, c) from the date the tax reduction is processed to the date the refund is issued for tax appeals under the City of Toronto Act.	The Revenue Services Division intends to introduce these measures by the first quarter of 2008.

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7.	The Director of Revenue Services ensure that the 2008-2009 Capital Program assessment of the Tax Management and Collection System include an analysis clearly defining business processes and data and systems requirements necessary to effectively manage the appeals and refund programs.	Agree. Management intends to satisfy this recommendation as part of its planned review of the Tax Management and Collection System in 2007 / 2008. The objective of the planned capital works project is to improve efficiency by maximizing automation and embedding improved controls into the system, based on a thorough documentation/evaluation of the Division's business processes and data and systems requirements.	The planned review & assessment of the tax system, including an analysis of business processes and data and system requirements, is expected to be completed by the first quarter of 2008.

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8.	The Director of Revenue Services review outstanding service requests to assess additional automation features to be incorporated into the next generation of the Tax Management and Collection System.	Agree. On a monthly basis, Revenue Services' supervisors are required to review, comment and prioritize system problems/bugs and enhancements through IT service requests. The IT service requests are then further reviewed and prioritized by senior management at regular meetings. The majority of the identified TMACS problems/bugs are resolved. In most circumstances, the system problems/bugs are isolated occurrences which impact a minimal number of accounts. System enhancements and non-critical problem system situations where a viable work-around is available are prioritized and addressed in accordance within the overall Divisional short and long term plan. These items are usually best addressed within larger system initiatives which incorporate a complete redevelopment and new programming.	Planned review & assessment of tax system, including an assessment of outstanding service requests (2007- 2008). A review of outstanding service requests and potential new functionality to address system deficiencies and provide further automation will be undertaken as part of the planned review of the tax system (to be completed by 1 st half of 2008).

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9.	The Director of Revenue Services assess the feasibility of implementing a refund exception reporting system as part of the 2008-2009 Capital Program to review the Tax Management and Collection System.	Agree. As part of 2008-2009 Capital Program to review the Tax Management and Collection System, management will review and assess the feasibility of implementing enhancements to the existing exception reporting within the Refunds Unit, based on the additional criteria identified under section C3 of the Auditor General report.	The feasibility study to evaluate the implementation of enhanced exception reporting within the Refunds Unit will be part of the Division's planned review and assessment of the tax system in 2008.
10.	The Director of Revenue Services review computer access controls to provide staff access based on respective roles and responsibilities in the Tax Management and Collection System. Where possible, access to the Tax Management and Collection System should be limited to those functions required by staff to perform related job duties.	Agree. Security access controls are currently in place in the Tax Management and Collection System, with 49 different functional roles that permit access or non-access to certain functionality, depending on the user's need as defined by the Manager/Supervisor. All staff have assigned roles, or composite roles that provide varying levels of access/functionality within TMACS – these roles have been operational since January 2005. As part of the next major re-development initiative to update the TMACS system, the Director of Revenue Services will review computer access to further strengthen controls. Where possible, access to the Tax Management and Collection System will be further limited to those functions required by staff to perform related job duties.	Computer access controls will be reviewed as part of the Division's planned review & assessment of the tax system (2007-2008).